



STATE OF T&D RETAIL 2023

Consumer technology retailers reassess formats, operations and purpose to position for growth

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Retail revolution: global opportunities being harnessed

Formats — Strong expectations for omnichannel, mobile, marketplaces and experience stores

Technology — Growing focus on retailer artificial intelligence, ahead of blockchain and robotics

Operational Excellence — Major investments in delivery, supply, workforce and ecosystem excellence

Purpose — Initiatives growing around sustainable products and practices, repair hubs and second life products

Consumer tech retailers are taking assertive actions to deliver powerful growth and differentiation in a demanding environment.

With consumer spending squeezed by high inflation — and expectations rising around everything from delivery to sustainability — retailer strategies are being tested.

A new global survey by GfK reveals four crucial, interconnected areas where retailers are identifying significant opportunities to make wise investments. They are: formats, technology, operations and purpose.

Retailers will invest to capture fresh revenue streams, including in broader ecosystems. Equally, businesses will continue to pursue process excellence, while enhancing their operations through innovative technology and the development of talent.

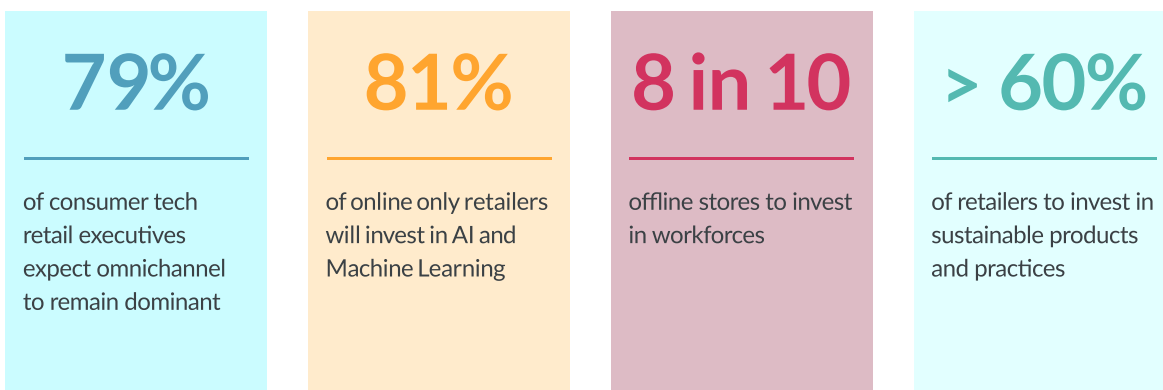
The GfK survey, involving nearly 800 retail executives in 76 countries, highlights fascinating developments in what matters most to three types of retailers in 2023: omnichannel, pure play online retailers, and offline stores. It also draws out key trends they expect to see dominate the retail space in the coming years.

Omnichannel will remain the most successful post-pandemic format, retailers predict. And they anticipate significant growth in mobile commerce, as well as marketplaces, click and collect services, and sophisticated store experiences.

Most retail players are setting new priorities around operational excellence. These are increasingly underpinned by smart investments in essential workforces. Spending on relevant intelligent technologies will also be key, even if some will deliver results in a longer timeframe. Meanwhile, in several large markets, broader business purpose is becoming a differentiator in winning and retaining consumer interest.

This report examines the current evolutions, and even revolutions, being driven by retailers globally. It looks at how those businesses are adapting to meet the challenges and opportunities ahead. GfK's companion regional reports analyze specific localized trends: in Europe, Asia-Pacific, Central and South America, and the Middle East and Africa.

Consumer tech retailers worldwide are seeking to harness and maximize the opportunities ahead.



Source: GfK Retail (R)evolution 2023

At the same time, the various retail categories are quickly merging. Classic online businesses are acquiring properties for in-store experiences, and traditional shops are attempting to fully launch their offerings on the web and on mobile. Identifying and unlocking new revenue streams within these formats will be equally critical, necessitating imaginative use of digital and in-store space.

They aim to build and safeguard profitability, while attracting and retaining a wide range of customers. To do so, they must consider each of the four key, interlinked areas of change, acting with focus and determination.

Only by understanding what will matter most in the coming years can retailers make the necessary choices to be ready for the future.

Formats

Consumer tech retailers have been undergoing a significant format evolution.

Offline, in developed markets, tech superstores and cross channel formats have gained the lion's share of revenues. The number of independent retailers has dwindled in the last decade, a trend accelerated by the Covid-19 pandemic.

In emerging markets, there is a notable revolution rapidly bringing in new formats. These include internet marketplaces, which have fast-growing popularity given their reach, affordability and range.

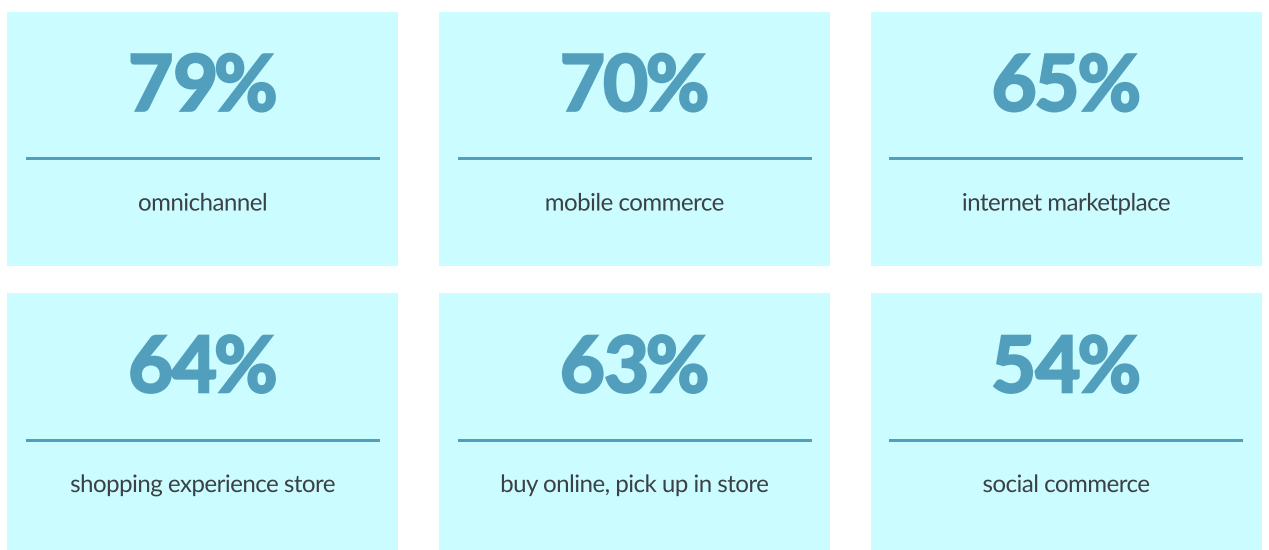
Meanwhile, globally, once-basic retail websites are creating better personalized product recommendations and ever simpler transactions. As online sales in all categories have grown, those websites have increased their market share. This gain is deepening as consumers have become increasingly digitally mature since web

and mobile-based sales became essential during lockdowns. As consumers' comfort with digital channels grows, future retail opportunities around social commerce and even the metaverse are becoming more tangible.

Today, the results of the GfK survey reveal some powerful format commitments already being made by retailers. Worldwide, those businesses are gearing up for significant investments in fast-changing physical and digital formats.

Michael McLaughlin, president of global retail at GfK, explains: "Many retailers have designs on dramatically improving how they use online and in-store space. Their changes could prove an important generator of sales."

Most successful formats expected in next 2-3 years



Source: GfK Retail (R)evolution 2023

Capturing cross-channel growth

Omnichannel is expected — by the vast majority of retail executives — to continue as the most dominant format in the coming two to three years. Some 79% of retailers polled expect omnichannel to lead the way, with the general view being that it will garner high success.

Nevertheless, the nature of omnichannel is evolving. Simply having a range of sales routes to consumers is not enough: retailers know they need to take the bold approach of expanding

Nearly two-thirds of respondents have strong confidence in the potential of these marketplaces. New marketplaces are already emerging to rival some of the established giants — and consumer tech retailers may increasingly build marketplaces on their own websites and apps, as seen in fashion retail.¹

When it comes to in-store sales, new immersive and engaging experiences will become increasingly vital to differentiation, notes McLaughlin: “These shopping experience stores can provide everything from events and catering,

Format approaches: stark differences by region

Europe

There is a strong belief in omnichannel retail. The 80% expecting it to be successful is a figure ahead of most regions, as offline saturates. Renting store space to brands will also be by far the main focus for new revenue streams.

Asia-Pacific

Retailers, by contrast, believe especially in mobile commerce (69%), with strong confidence in social commerce (61%) thanks to high digital maturity. Running Retail Media Networks dominates among new revenues.

Middle East & Africa

Retailers have the strongest confidence in mobile commerce and shopping experience stores (78% and 74%, ahead of all regions) as post-pandemic times see new shopping habits. As with Europe, the next focus is renting out space to brands.

Latin America

Retailers have a diverse set of priorities, with belief first in omnichannel (87%) then internet marketplaces and experience stores. Confidence in social commerce is the highest of all regions (65%) - and the next revenue focus is using stores or warehouses for fulfillment.

Source: GfK Retail (R)evolution 2023.
For localized deep dives, please see our companion regional reports.

into new areas of operation, and making the switch seamless for consumers moving between channels. Excelling in mobile commerce will be particularly vital, and is seen as the area with the second most successful outlook.

At the same time, several other fast-growing formats are rising up the agenda. Firstly, internet marketplaces are expected to become more widespread and successful. They allow consumers to better understand products and to buy easily from a wide range of sellers, in one place.

to healthcare and education, to real and virtual product tryouts. They deliver memorable customer moments.”

Nearly two-thirds of retailers expect shopping experience stores to be a successful format, given their ability to deliver more distinct encounters, often in local environments. This is comparable to the confidence around online marketplaces.

Meanwhile, relatively simple services such as buy online and pick up in store — or click and collect — are expected to remain popular. This is down to the speed and convenience offered

¹ Retail Gazette, ‘Eight retailers launching marketplaces,’ retailgazette.co.uk/blog/2022/06/eight-retailers-launching-marketplaces, June 10, 2022, and, Financial Times, ‘The rise of the platform economy,’ ft.com/content/e5f5e5b9-3aec-439a-b917-7267a08d320f, March 13, 2023, and, GfK, ‘Have you done enough to win over the consumers of the future?’, gfk.com/blog/have-you-done-enough-to-win-over-the-consumers-of-the-future, April 6, 2023, and, GfK, ‘Master the 2023 LATAM Tech and Durables Market,’ gfk.com/gfkconsult-regional-report-latin-american-market-outlook-2023, accessed August, 2023.

to consumers, the simplification of return processes, and the removal of the need to be at home for deliveries. Strong growth is expected in this format, particularly in Latin America where home delivery options can be lengthy and expensive.

In recent years, social commerce has also been in the crosshairs of many tech brands, given its potential to engage consumers, build experiences and clinch timely sales. Among retailers, however, only just over half currently see it as important for the near-term.

The fastest social commerce growth is expected in Asia-Pacific, where consumers are generally more accustomed to buying directly through social media apps and often view them as a reliable source of discounted deals.

While notable growth is expected in social commerce, it continues to lag expectations in many other markets. This is attributable to many businesses perceiving its main benefit as brand building, rather than an e-commerce opportunity. We expect this to change over the coming years.

Finding new revenue streams

Retailers know that amid tough economic conditions — and changing dynamics in their relationships with manufacturers — any format innovation must also include the generation of new revenue streams. Such models can help bring in new customers, while building loyalty.

When considering potential new revenue streams, one concept leads the way: innovative use of space

“When assessing how to create revenue streams from new formats, one concept leads the way among retailers globally: innovative use of space,” notes McLaughlin.



Some 54% of stores expect that renting out physical space to brands will be key. This space could be used for smart displays, kiosks and enhanced retail experiences. These prospects are in the sights not only of traditional shops but also large omnichannel players. Meanwhile, just under half of stores will use areas of their shops or warehouses to accelerate and expand the fulfillment options they can offer, including store or curbside pickup, last mile delivery from outlets, and outsourced shipping.

media networks (RMNs), a digital equivalent to in-store ads. These allow them to sell advertising space on their websites and apps to brands, raising awareness among consumers and capturing quick sales.

The popularity of RMNs is growing rapidly given the benefits they present to both brands and retailers, and their clear metrics around returns on investment. For brands, RMNs offer a new means to reach important target groups already browsing a retailer’s website or app. At the same time, RMNs mean retailers can present themselves as a unique sales channel, collaborate on ad content and provide powerful insights, all while opening up valuable new revenue streams.

Brands selling directly to consumers: Impact on Retailers



Source: GfK Retail (R)evolution 2023.

“Retail media networks are especially popular among online specialists and omnichannel players,” says McLaughlin. “This is because most already have the

sophisticated data management and intelligent content serving technology to deliver a relatively quick return on investment. We expect the number of RMNs to grow strongly in the coming years.”

All of these new approaches to in-store and digital space will be fundamental in helping retailers advance and evolve their relationships with manufacturers. It is essential that retailers can position themselves as vital to those companies, providing a uniquely effective channel with powerful revenue and margin opportunities.

Traditional shops are likely to focus on certain specific in-store services. Nearly four in 10 are considering bolstering their business by providing new experiences such as events or food hospitality. This will be critical as offline players increasingly worry about their online competitors, including tech brands selling products directly to consumers.

But perhaps most strikingly, there is immense interest in ways to use digital space to drive substantial additional revenues. Some 45% of executives have their eye on developing retail



Technology

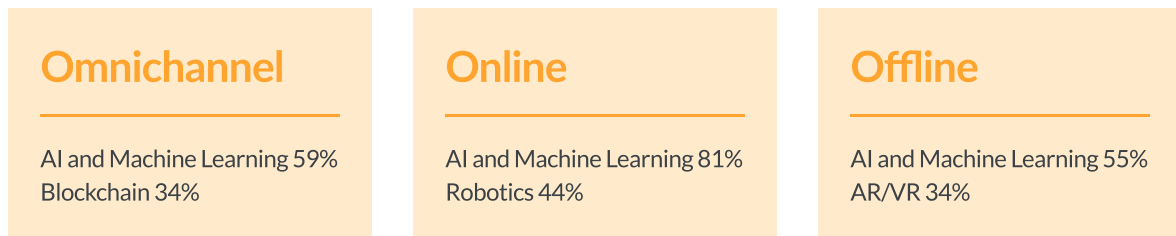
Retailers are considering making several important technological changes to position for growth.

These will be critical in supporting the new formats and revenue streams being counted on for increased revenues. They will also enable the other pillars in this report: operational excellence and purpose-based activities.

involved,” explains Vishal Bali, global VP of customer success management at GfK. “For some of the initiatives, there can be fairly long timescales required to achieve a return on investment — even though the results can be game-changing.”

The need for change here is growing, particularly when it comes to intelligent insights. A new Forrester Consulting report, commissioned by

Retailer type and their top 2 focus areas



Source: GfK Retail (R)evolution 2023.

Nevertheless, many retailers are not fully committed to a range of important technologies. For some, compared to the clear commitments they are making around formats and operational excellence, there is a hesitancy around tech investments.

The strongest example of such hesitancy — among some retailers — is in artificial intelligence and machine learning (AI and ML). It is the area in which retailers consider there will be the greatest potential, with over six in 10 citing the technologies as more important than other innovations. And while it is the top focus of tech investment, on average there is only a moderate strategic focus in this area. This is in stark contrast with retailers’ consistent levels of enthusiasm around formats such as omnichannel and mobile, or around operational aspects such as delivery.

“Any hesitancy around spending on AI and ML may be attributable to the current sophistication levels when it comes to harnessing data — and the expected payback times for the investment

NIQ, shows that 52% of businesses still find it hard to respond quickly to shifting market demands.² Typically, such organizations are grappling with over six different data sources. “The answer is omnichannel intelligence, meaning truly actionable cross-channel insights. It is enabling the most advanced businesses to begin developing more relevant consumer strategies, and drive highly personalized experiences and customer satisfaction,” says Jamie Clarke, head of North America retail at NIQ.

Among the firms clearly stepping ahead with their use of intelligent technologies are pure play online retailers, which within the GfK survey showed the broadest confidence in their ability to successfully deploy AI and ML. This is perhaps because online-only businesses are most reliant on tighter processes, rapid strategic adaptability, and users being able to quickly find items they want from a wide array of choices. They also have the data needed to develop AI and ML models.

² NIQ, ‘Enhancing Data-Driven Success: Key Findings from Forrester’s Omnichannel Intelligence Report’, <https://nielseniq.com/global/en/insights/report/2023/enhancing-data-driven-success-key-findings-from-forresters-omnichannel-intelligence-report/>, September 5, 2023

Predicting demand and offering personalization

Those making advances around AI and ML have some clear priorities. The GfK survey shows that such retailers are determinedly focusing on demand forecasting, and also personalization for consumers.

Retailers are highly cognizant of the need to personalize shopper experience and drive stickiness, while also predicting demand in difficult conditions

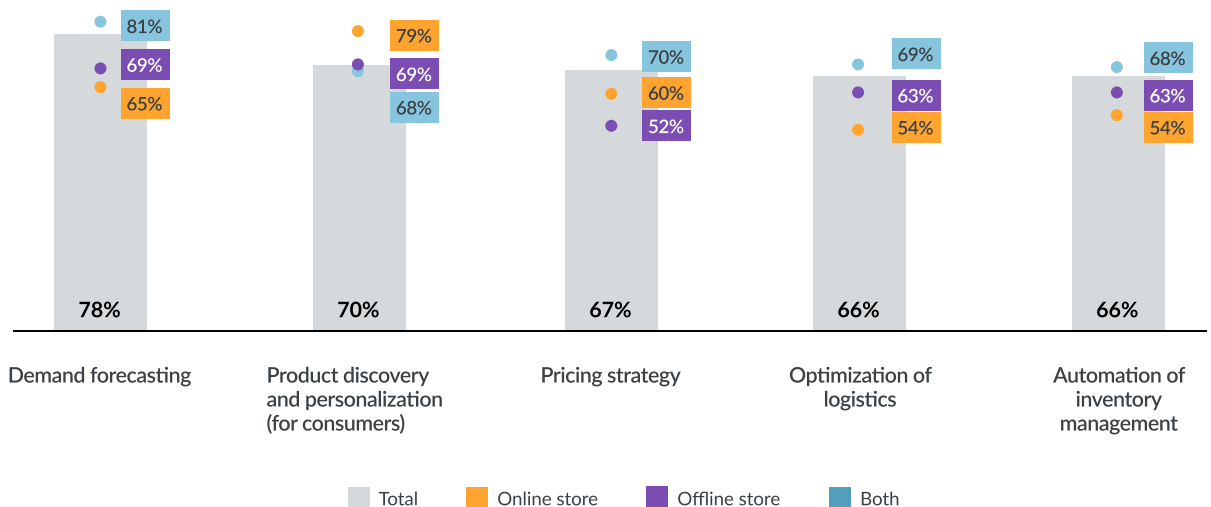
“The overall macroeconomic environment – including supply chain and cost pressures – mean an even greater need for quality insights.”

Forward-thinking pricing strategies are a major area of AI, too, particularly for omnichannel retailers pitted against multiple strong competitors. At the same time, retailers see product discovery and personalization as realms within which the smart use of AI could strongly improve performance. “Retailers are highly cognizant of the need to personalize shopper experience and drive stickiness,” Bali says. “AI provides a great opportunity to enhance shopper experience as well as protect margins and grow the competitive edge.”

Retailers’ investments in AI and ML will underpin developments across all the pillars of change. Within formats, these technologies will enable increasingly personalized experiences, while empowering actionable cross-channel insights for RMNs. In operations, intelligent technologies will support sharper analysis and better forecasting around delivery and supply, while enabling smart dynamic pricing and warehouse

“Predictive insights are being targeted by most forms of retailer involved in AI, but particularly by omnichannel players,” explains Bali.

Expected benefits of AI and ML:



Source: GfK Retail (R)evolution 2023.

automation. In purpose, AI and ML will have an impact by enabling better tracking of products, plus faster and more regular reporting, and by delivering deeper insights into sustainable store sales and resource usage.

Opportunities await in augmented reality, blockchain and robotics

Other technologies are currently perceived by most retailers as having somewhat less significance – though we expect they too will gain importance in supporting all the pillars.

Retailers will need to overcome a knowledge gap to progress with blockchain, which can help tackle fraud and improve sustainability

Globally, only a third of tech retailers plan to invest in augmented or virtual reality. AR and VR have well documented benefits in improving brand and shop experience, and allowing consumers to have immersive product tryouts, assistance and improved store navigation. So far, the technologies are generally more favored by retailers with a bricks and mortar presence, where engaging live experiences could be offered as a memorable differentiator. We expect a wider take-up initially by fashion and luxury brand retailers, given the impact of AR and VR on product tryouts and highly visual in-store marketing. Consumer tech retailers will likely follow suit over time.

Blockchain, is also currently being pursued by the same proportion of retailers. This is despite it being able to assist in multiple essential areas including fraud prevention, improving supply

tracking, and logging products' provenance and sustainability throughout supply chains. Retailers will need to overcome their knowledge gaps to achieve important progress here.

A third of stores are also considering robotics. These can firstly transform background processes not seen by consumers. The high costs and warehouse-centric benefits mean they tend to be the domain of primarily online operators. Nine in 10 of the retailers investing in robotics will do so for the key operational areas of warehouse automation, and six in 10 for inventory checks. European retailers are among those most likely to pursue robotics, given the region's growing labor costs.

The proportion of online stores set to invest in robotics is double that of offline players. Yet in-store, the technology could also have a useful customer-facing role, aiding new memorable experience stores. "In the long run, humanoid robots could provide valuable in-store services as consumers accustom to their presence in different parts of life," says Bali. "Robots could ultimately enhance and add to the customer experience and raise the bar for service, working alongside human staff." They can additionally collect live stock and demand data, making it available for forecasting and pricing, and for monitoring shelf inventory.

Looking ahead, we predict that retailers' use of all these technologies will increase strongly, as investment costs become more realistic and intended outcomes quickly achievable. It will also be critical where a shortfall of labor necessitates better use of both mature and cutting-edge systems. Having the right technology will be a key differentiator for retailers aiming to meet changing consumer demands, offer outstanding and memorable experiences, and deliver operational excellence.

Operational Excellence

Consumer tech retailers are set to have a strong focus on operational excellence in the coming two to three years. New and innovative approaches here will be critical in meeting the high expectations of consumers, particularly amid tough economic conditions.

Consumers can now often receive the products when they want, with same or next day delivery, or a specified time slot, dependent on the market. This change in importance around delivery is motivating consumer tech retailers to have a clear focus on improving the efficiency and effectiveness of internal operations.

Strategic focus by operational area

(1= low, 5= very high)



Source: GfK Retail (R)evolution 2023.

“Meeting these expectations well can deliver substantial differentiation. And given high cost pressures and labor shortages it’s essential to the performance of omnichannel, online and offline stores,” explains Wolfgang Wanders, VP Product Management in Global MI at GfK.

The first area of change is how quickly consumers can get hold of the products they want. gfknewron Consumer Intelligence shows that people are now, in general, more concerned about delivery times and product availability than before the pandemic. This is in part due to the total growth in online sales during the associated lockdowns, a channel that people have remained highly dependent upon. There has been a leap in how many consumers choose retailers according to delivery options, from 32% pre-pandemic to 42% now.

Nearly nine in 10 such businesses are focused on improving processes to speed up and make more flexible how they get products to their customers, the survey reveals. Almost every online player is making changes here. The work was classed by stores of all types as having a very high strategic focus.

At the same time, the availability of products is motivating over a third of consumers’ choices of retailer. With this figure rising, it means that eliminating supply chain backlogs and introducing more effective demand forecasting will be increasingly critical to retailers.

There is a similarly strong focus on tightening supply chain operations, work that 81% of retailers expect to do in the next two to three years. “With consumers still driven strongly by price and now also by getting hold of products

quickly,” Wanders notes, “achieving efficiencies and balance in the supply chain is vital. It can enable retailers to offer attractive ranges depending on season or event, while speeding up how they obtain and ship their products.”

While the actual breadth of items on offer only drives 17% of people’s retailer choice, the choices of available item matter. As such, nearly three quarters of consumer tech retailers will invest in improving their assortment.

Developing ecosystems

Operational excellence for retailers also means more than optimizing what they already do. Many plan to expand the range of their service offerings. Some 67% are focused on their ecosystem of services. A high attention is generally being attributed to this area, across the industry.

Some 62% of stores expanding their ecosystem will focus on retail media networks, bolstering revenues and brand relationships

What do these ecosystems represent in practice? For online players, there will be real efforts around creating retail media networks, allowing them to generate substantial extra revenues. This can also help with brand relationships by providing useful insights into the return on investment from marketing. Their determination in this area is the result of RMNs being relatively quick to establish and deliver revenues — as well as online businesses often having strong technology, data systems and processes in place.

Across all types of retailer, there are other important ecosystem services in the line of focus. They involve evolutions of in-store entertainment, educational capabilities where products are complex or difficult to understand, and even offering healthcare services.³

At the same time, half of omnichannel players are looking at creating private labels, which could bolster consumer ‘stickiness’ by being a unique place to buy certain products. This will be critical in an increasingly competitive space.

Meanwhile, consumers are looking for simplicity in their transactions, and to pay in the ways they want. This can encompass using different payment providers as well as spreading the costs over time, either as credit or as a monthly subscription.

As a result, new payment services are being targeted by over two thirds of stores — a figure pushed up by particularly strong demand for changes in the Middle East and Africa where digital adoption soared during the pandemic. Nearly a third of those focused on ecosystem changes will work on offering subscription options to their customers, which can be complex to create but highly effective in securing long-lasting relationships.

Tech and workforce excellence

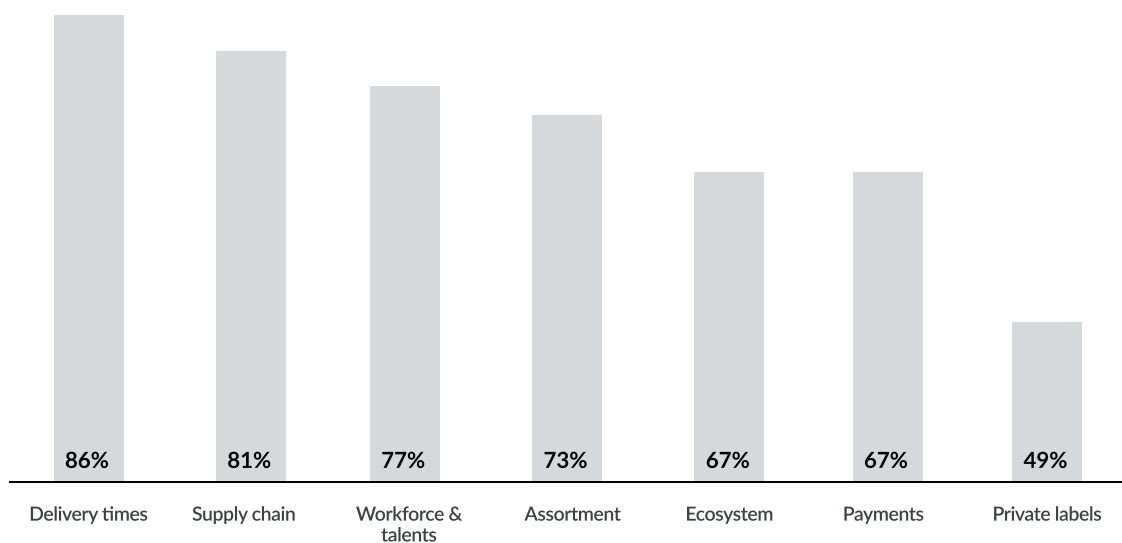
Several of these ecosystem changes will be complex, and expensive. Retailers recognize that to succeed, they will need both strong technology and a high caliber workforce. In tech, strong data analytics will be important in enabling smart decisions and serving brand space — while automation will be key to delivering large new services in a scalable manner.

³. Tokinomo, ‘Retailtainment: Why experiential retail is the future of shopper engagement,’ tokinomo.com/blog/retailtainment-is-the-future-of-shopper-engagement, June 18, 2020, and, Retail Economics, ‘The Role of Education within the Retail Experience Economy,’ retaileconomics.co.uk/retail-insights-trends/retail-experience-economy-and-education, accessed August, 2023, and, Forbes, ‘Will Retail Health Really Disrupt Healthcare?’ forbes.com/sites/davidchou/2023/02/27/will-retail-health-really-disrupt-healthcare/?sh=2ead4eb8499a, February 27, 2023, and, Deloitte, ‘One-stop shop: Where healthcare meets retail,’ <https://www2.deloitte.com/nl/nl/pages/life-sciences-en-gezondheidszorg/articles/healthcare-meets-retail.html>, accessed August, 2023.

Among the workforce, meanwhile, having a reliable and skilled staff will be crucial, as will having an environment in which talent can be nurtured and developed. Workforce and talent are now a high strategic priority for all types of retailer. Over three quarters of retailers expect to focus on them in the coming few years, particularly those businesses keen to improve in-store experiences to head off tough competition from web and mobile rivals. Some 81% of offline retailers will focus on this area.

The above elements will be central to the work of retailers worldwide as they aim to meet diverse consumer needs and build reliable revenues and efficiencies. By better understanding consumer needs and delivering on them with an excellent quality of services, retailers can look to secure success and stand out no matter the conditions.

Strategic focus on capabilities and services



Source: GfK Retail (R)evolution 2023.

Among online, and omnichannel players, the vast majority are also working on improving their staffing. They are likely to target both back office and consumer facing operations, with efforts being made to ensure workforce levels are as consistent as possible amid labor shortages. At the same time, there is little doubt that retailers will also turn to robotics to help plug gaps in staffing, primarily for their demanding behind-the-scenes operations.



Purpose

Consumer expectations are constantly rising for retailers of all types. Among the most vocal demands is for retailers to have a clear high-level purpose, including an emphasis on sustainability. People’s concerns range from the environmental impacts of consumer tech and services, to the ethics of certain materials in products, to the inclusivity of retailer staffing.

For consumer tech retailers, keeping a strong customer base – and differentiating from competitors – requires multiple factors including the establishment of a clear purpose that people can believe in. For large players, this will somewhat resemble their efforts to engage and bring in shareholders.

Having this purpose will be important to gaining the support of all generations, but none more so than Gen Alpha and Gen Z, who are currently aged up to 13 and up to 26 respectively. As important future customers of retail brands, it is essential to engage them and begin developing their loyalty.

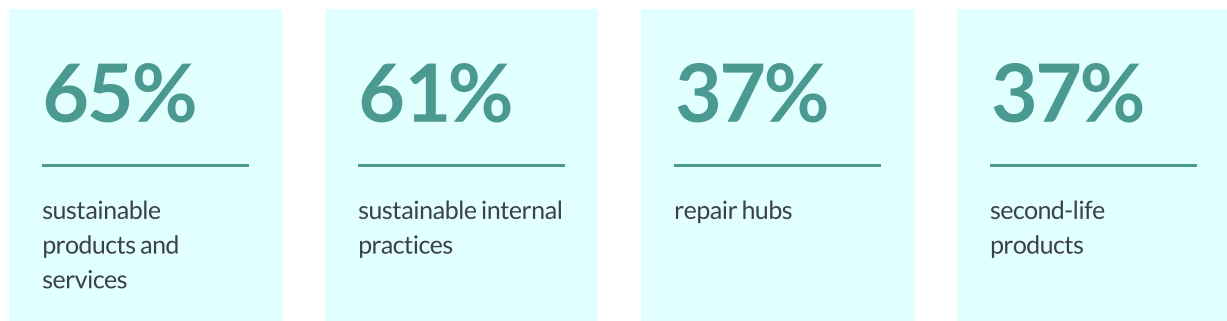
“These younger buyers will increasingly only purchase from retailers focused on ethical and environmental transformation,” notes Michael McLaughlin, president of global retail at GfK. “In spite of cost pressures, it remains an important driver of choice for such generations.”

Developing sustainability

Globally, there is a risk that a swathe of retailers will fall behind in meeting these expectations. Consumers across regions now typically view sustainability as important. This is the case in less developed nations bearing the obvious impacts of sustainability concerns – as well as in developed markets in Europe where higher spending power is empowering more consumers to act on these values.⁴

In order to meet expectations, a key emphasis for consumer tech retailers will clearly be sustainable products and services. In practice, this can mean everything from selling products

Purpose: Extent of retailer focus



Source: GfK Retail (R)evolution 2023.

⁴. GfK, 'Consumer Life 2022,' <https://www.gfk.com/products/gfk-consumer-life>, accessed August, 2023

made from more recycled and recyclable goods, to extending the life of products, to having better and minimized packaging.

So far, despite the importance of sustainable products and services to consumers and even governments, these have a mid-to-high strategic focus among retailers. This scoring is significantly lower than for efforts around delivery times and supply chain processes, although supply changes can incorporate purpose too. It is instead

Levels of focus on internal sustainable practices are somewhat similar to those associated with greener products and services, meanwhile. Yet the opportunities for change here are abundant.

“Benefits include reducing energy usage in stores, warehouses or even data centers – and using more renewable sources,” explains McLaughlin. “Within their shops, for example, retailers are turning to much more energy efficient lighting and product displays, which make a big difference.”

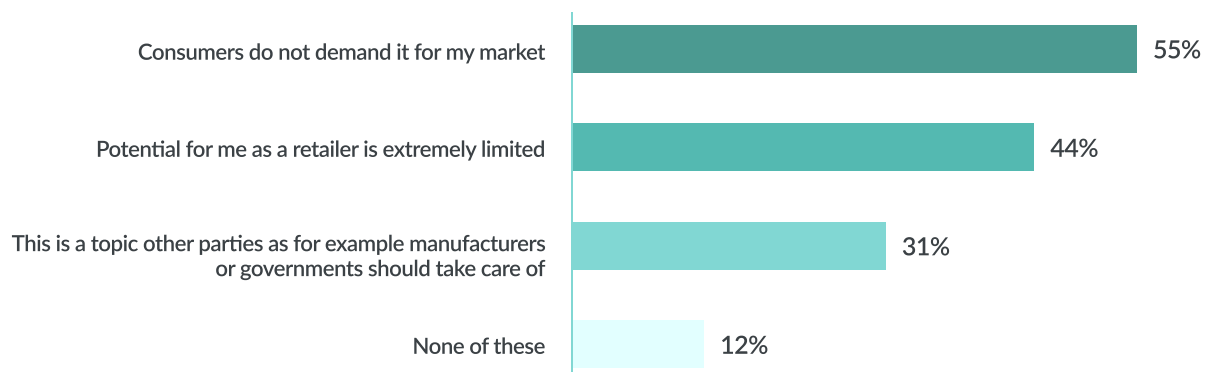
By region, it should be noted that retailers’ sustainability efforts are significantly more concentrated in Europe. The comparison is particularly stark with Asia-Pacific and Latin America: while seven in 10 European retailers are focused on sustainable products/services and internal practices, in APAC and LatAm this drive is only maintained by around half of companies. This is in spite of LatAm consumers seeing sustainability as a top 10 personal value, as well as strong rises in its importance to Asian consumers.

Within sustainability, retailers’ emphasis is mainly on improving packaging. Particularly in Europe, there is a strong focus on using recycled material in boxes, and cutting the amount of packaging used overall. Educating consumers around sustainability is a secondary but notable

Purpose is rising up the agenda. But many retailers are yet to give it a focus comparable to delivery times

comparable to the somewhat mixed levels of focus around AI – where the importance is recognized but it is not as consistent a priority as more tangible areas.

Reasons why sustainability is not yet a priority:



Source: GfK Retail (R)evolution 2023.

focus, which is relatively common in most regions and will serve to increase demand. In areas outside Europe, sustainable delivery itself is seen as much less of a priority.

Alarming, while many consumers view tech as easily replaceable, retailers are doing little to limit the environmental impact. The survey shows that getting more life out of tech and durable products is, in general, relatively low on retailers' agenda. Only 37% of retailers will focus on offering repair hubs in the near future, for example. The same relatively low proportion are set to sell second-life or refurbished products — no more than medium or low priorities for most. Improving warranties is the preserve of less than half of retailers globally, in spite of high importance in LatAm. Meanwhile, European retailers are above a fairly low average, in terms of their focus on device recycling.

Despite the ability of a purposeful business to win custom — and to meet a variety of green and social regulations — many less active retailers here are quick to pass the buck. Over half of those not prioritizing sustainability blame a lack of consumer demand, saying it does not really matter to their customers. Some 44% cannot envisage much of a revenue upside, certainly not one worth the requisite investments.

Meanwhile, nearly a third of those not active in sustainability say that it is up to manufacturers and governments — instead of themselves — to make the difference. This could become a problem for them, as regulations tighten in many nations, led by changes in developed markets.

Driving purposeful gains

“Looking ahead, retailers will be wise to advance significantly in their sense of purpose. Their steps will need to be well planned and executed, with the right skills, processes and technology in place. In addition, their business models must be underpinned by clear sustainability considerations,” says McLaughlin.

Getting these efforts right opens up scope for significant gains. Consumer tech retailers will earn strong efficiencies from any improvements to their core operations, while keeping themselves ahead of sustainability rules being introduced in many markets.

These retailers will also be able to win new customers, drive strong experiences, and build loyalty, by putting in place new services such as green stores. Such stores are not only more energy efficient but also educate consumers on important topics, and may include useful repair services to extend device life.

Improvements can range from more efficient internal operations to ethical supply. And interest is growing for green stores and repair hubs

We predict that over the coming few years, a growing number of consumer tech retailers will make significant changes around purpose, particularly with regards to the environment. The most advanced will embed sustainability considerations into their core DNA. Such a move is essential to future proofing. There is also clear scope for first mover advantage. Effective decision-making, action and communication around purpose will enable retailers to sharpen their competitive edge.

Conclusion

Consumer tech retailers are at an important juncture. The demands placed upon them are varied and significant.

Expectations among consumers vary by region, but include demands for ever more engaging and personalized experiences, simplified purchasing, faster delivery, and the ability to buy from businesses with a clear sense of purpose. At the same time, the competitive and macroeconomic landscape is tough and unforgiving.

The GfK research shows that most retailers globally are targeting important changes to meet these demands. In formats, many are aiming to deliver more seamless, true omnichannel experiences. Others will focus directly on powerful growth areas such as internet marketplaces, experience stores, and new revenue streams such as retail media networks.

To enable these changes, retailers need to invest in their technology and workforces. While artificial intelligence and robotics have yet to win over some retailers,

those making advancements are well placed to drive powerful outcomes. These changes will support the new formats and revenue streams, as well as major operational improvements around warehouse automation and inventory management, better pricing and faster delivery.

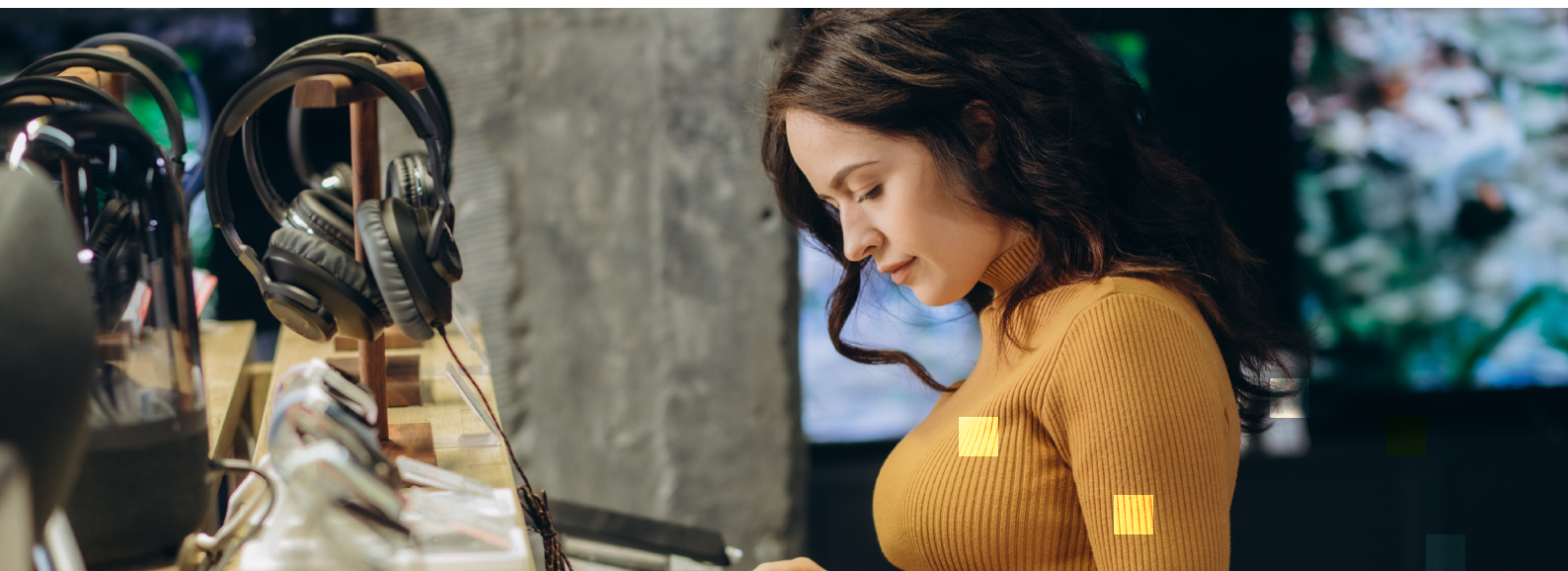
Workforce investments will also be critical to success. Retailers of all types plan to improve the availability and skillsets of their staff. From the largest to the smallest players, any such endeavors will empower differentiation across customer service, experiences, efficiency gains and beyond. They will also be critical to enabling technological improvements around AI and ML, robotics, Blockchain, and augmented and virtual reality.

Finally, when it comes to purpose, consumer demand is increasing. However, retailers' strategic responses vary by region according to their perceived responsibilities and the opportunity for profit. Nonetheless, there is clear scope

for retailers in most markets to differentiate their businesses with greener products or delivery, better internal practices, or repair services and second-life sales that increase items' lifespan.

Just as all these demands rise, market competition is proliferating. This means consumers are increasingly in the driving seat, able to select from a multitude of options. For retailers, responding well and establishing a competitive edge begins with a clear understanding of the changes. They can then invest confidently and correctly.

Omnichannel, online and offline retailers in every region are working with GfK to ensure they understand the tectonic and interconnected shifts happening in formats, technology, operations and purpose. GfK's unrivaled market intelligence and consulting services enable them to have confidence and clarity as they shape their futures.



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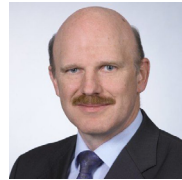


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